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SELECTED TRANSLATIONS FROM MIMBAR UMUM

/The following are full translations of selected articles from  
Mimbar Umum Nos. 44, 47, 29 October 1961; 19 November 1960,  
Djakarta./

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## USINDA CHIEF DISCUSSES EXPORTS

[Following is a translation of an article in Mimbar Umum,  
Djakarta, Vol. XIV, No. 44, 29 October 1960, pages 19, 31.]

Question: We heard that you just made a tour to various countries in Asia, Europe, and America. What was the purpose of your visit to these foreign countries? What are the countries that you have visited and what is your point of view regarding your travel?

Answer: In the political manifesto it was stressed that all vital installations in production and all vital tools in distribution should be controlled, if not supervised, by the government. Because of this, among others, P. T. Usindo as a government tool has an obligation to distribute all foodstuffs and clothing and must broaden its efforts. This can only be done by opening branches in foreign countries.

For this purpose the government has given me the duty of visiting foreign countries, in the framework of the development of P. T. Usindo as a tool of the government, to open P. T. Usindo branches in foreign countries. The countries that I visited were Singapore, Hong Kong, Japan, The United States of America, East Germany, West Germany, Switzerland, England, and France.

During my travel I got the impression that the foreign countries have an interest in developing trade with Indonesia. In Mexico I was a guest, having been invited by the Mexican government which wishes to carry out trade between our two countries after agreements have been reached.

Aside from that, several projects in the framework of foreign credit also have been received by me. Among others there is one with England which agrees to give credit in a five-year period for capital goods.

East Germany also agreed to give credit in the form of cement and motor cars that we need over a much longer period.

Question: Of all the countries that you visited, naturally there must be one country which is most interested in having trade connections with Indonesia. What country could that be?

Answer: One of the countries which really paid attention to trade with Indonesia is Singapore. The Singapore government has promised to give aid to the Indonesian government in the field of trade. They are really glad to see the efforts of P. T. Usindo to open a branch in Singapore.

Question: In what countries do we have P. T. Usindo branches? And what are the duties of these branches?

Answer: In Indonesia, Usindo already has 16 branches spread out all over the country from Sabang to Merauke. In foreign countries Usindo now has five branches which are in Singapore, Tokyo, New York, London, and Dusseldorf. All of these branches are incorporated in the country concerned.

The duties of the branches mentioned are mainly to represent Central P. T. Usindo in channeling import and export goods. In the near future other branches are going to be established in other neighboring countries.

Question: You mentioned foreign credit a while ago. Does it have great benefits toward the country?

Answer: Basically these credits are not attractive and are less beneficial because the allotted time is too short.

Question: What are the efforts that we should make in order for the needs of the people for food and clothing to be satisfied?

Answer: To be able to satisfy the needs of the people for food and clothing, one of the important factors is to speed up the distribution of the daily needs of the people from the warehouses to the consumer.

It now seems that the distribution procedure is very complicated because it slowed down the entire operation and was much trouble, causing many headaches to the entrepreneur. Goods are not supposed to be kept in the warehouse too long because they will be damaged, thereby causing great losses. It is better if the government does not get involved too much in this matter.

Question: If that is the case, in your opinion what is the best and the most efficient way of reaching the goal of a prosperous and fair society?

Answer: In order to achieve the goal of a fair and prosperous society, that is gemah ripah, lohndjinawi, tata tentrem kartarahardja, there is only one way and that is export -- export -- export -- which should be expanded and multiplied.

I purposely stressed the word export because exports are so important that if I were to talk about economic problems, trade matters, problems regarding food and clothing that the people need, the word import only comes out once from my lips and the word export ten times.

There is no other way. Export should be enlarged and expanded. This is what the people of Indonesia should really pay attention to if they want to see their country prosper, cheap food and clothing, etc. Up until now, exports account for only 40% of the trade balance. It is hoped that the government is going to put more initiative into the field of export or give this opportunity to the private entrepreneurs as much as possible for them to carry it out. If our export increases this will mean that our foreign exchange is going to increase.

Question: Is P. T. Usindo capable of carrying out all this, knowing that there is a shortage of experts as well as the spread of economic development and trade at the present time and also the time to come?

Answer: It is capable because P. T. Usindo itself now has undergone a reorganization until we are capable of catching all steps in the field of foreign trade. The total number of P. T. Usindo employees is now 1,200, and in the main office alone there are 700 employees. Looking from the developmental standpoint of P. T. Usindo now and later, this number in reality must be increased, especially with regard to the number of experts.

Question: Thank you, Dr. Harsono, for all your information to Mimbar Indonesia. It is hoped that all this information will be actually carried out by the government and all private entrepreneurs in their efforts to fulfill the needs of the people of Indonesia. May P.T. Usindo that you lead succeed in all its efforts and goals; in that way the society of our wishes will come true, that is a prosperous society, gemah ripah, lohndjinawi, tata tentrem kartarahardja.

But there is still another problem that we want to put forward, a problem that at this time is still very controversial. That is, how successful have the efforts of P. T. Usindo been since diplomatic relations with the Netherlands have been broken?

Answer: With the freezing of relations with the Netherlands government, in the field of economy and trade specifically, the Indonesian government has appointed P. T. Usindo as one of the government's tools with the many other enterprises of the government in order to help stabilize trade in the country as well as in foreign countries.

## DESA DEVELOPMENT AND INDONESIAN SOCIALISM

[Following is the translation of an article by Soewito Ms. in Mimbar Umum, Djakarta, Vol. XIV, No. 47, 19 November 1960, pages 17-18; 31.]

In studying the President's Ordinance No. 45, 1960, and also its clarification, we came to the conclusion that the development of desa society (in short, P.M.D.) was done in accordance with the principle objective of changing the social economic system of the desa which is bad and unpleasant to a modern desa social economic system. With this, there is no doubt about it that the steps of P.M.D. were taken according to the 1945 Constitution, Article 33, valid since 5 July 1959.

Since the birth of the Political Manifesto, the voice regarding "Indonesian socialism" has lately spread among the people in the desa, big and small. This shows how deep or shallow the understanding of Indonesian socialism has been among the people. But, we must also be conscious that the spread of the understanding regarding Indonesian socialism among the people of Indonesia is not a guarantee that Indonesian socialism will come to realization easily. Further, we must remember that the social system to be found in the society has clearly shown a heterogeneous characteristic. Even so we must not be too pessimistic in our efforts to achieve our goal of Indonesian socialism.

Talking about P.M.D. is a very good idea, and if this will come to a realization it will certainly make the desa inhabitants happy. On the contrary, if this idea does not materialize, then it is only going to strengthen the people's certainty that the Indonesian nation is really clever in making a program. Is it not a fact in the eyes of every citizen that the results of the Musjawarah Nasional Pembangunan (National Development Meeting) which was hatched in 1957 have not yet materialized? Later people also asked the question, how far have the results of the late first national development plan, which was fixed at the beginning of 1956, progressed? (See: The Five-Year National Development Plan, #1.) People can still ask other questions such as, where is the evidence of the New Life Movement (G.H.B.) that was announced by the President, Bung Karno? And people can still ask questions if one by one they carefully study the birth of "new plans" and their effects and results. This is not being cynical to the maker of the "plans," but rather it is the result of careful study, and it is hoped that it will happen again. Otherwise, the mass development is going to be neglected, will not be carried out well or successfully, and the great plan will forever remain just a plan. So

is it also with the P.M.D. plan.

#### Development Plan Militancy

If the writer were to put "militancy" forward, it would be sure to offend the moralists, but regarding "moralism," it is good that we are not quickly touched by the people that live in the desa. It would be better if our leaders, civil as well as military, were to be touched, regardless of whether the leader is in the city or in the desa.

The greater part of the Indonesian people at the present time have opened their eyes. They can point and acknowledge those who are their true leaders. At the present time, the people have been very critical and already possess an awareness regarding politics which was given to them by their leaders. Or in other words, the people now have a fixed idea of what a leader really is. If they would talk to them, this talk would have to be accompanied by deeds -- deeds which would bring results that could be held up as examples.

Therefore, in connection with this, the leaders' thought should be corrected. Maybe in our beloved Indonesia leaders talk about "that," but for their own welfare are doing "this." So "that" for you and "this" and "that" for me is utilized.

It is necessary that the morals of the leaders should be corrected or reformed in popular terms. The writer can state that, at the present time, there are still many leaders who only go up and down, here and there, inspect here and there, and make speeches.

The initiative and shrewdness of the Commandant of the K.M.K II in the capital city is very interesting. He always goes in and out of the villages at the outskirts of the city, stirring the people's hearts so that they will understand their responsibility, for example, the love of work, the obligation to buy the blessings of God by working, planting the yard so as to produce foodstuffs, improving the gutter so that the flow of water will be good for farming, repairing bridges so that the village traffic will not be hampered, building meeting places to talk about the initiative among themselves so that later the decisions regarding the plans and also ways to carry out the plans can be suggested, etc. For all these, with gladness in his heart, he did not hesitate to leave his bed with a nice mattress in a big house lit with electricity. Without any ado he slept in the people's houses in the desa, and sometimes, if necessary, he slept in the middle of the rice fields on his cot.

The writer does not exaggerate when he says that such a step really is good. Good because it has a great effect in binding the connection between the people's and the government's apparatus, in building up the spirit of freedom to sacrifice among the people for the public welfare, in planting the love of work among the people and always spreading efforts to fulfill one's daily living needs, and also to spread and disseminate them for the welfare of all.

On the contrary, with the steps of Major T. Soewandi, Commandant of the K.M.K. II, there is a story from the desa which the writer brings



forward as follows:

"Father (Sir)," said the desa man. "Do you still remember me, Sir?"

"Who are you?" answered a certain big shot who during the colonial war stayed and was fed by the same village man.

"I am Udjang, Sir, from Tjissalak," answered the man from the desa.

"Excuse me, I have some very important work to do." (The big shot entered the car and off he went.)

Where are the morals of such a big man? Even though there is only one leader that did such a thing, doesn't he still hurt the desa people's feelings in general? Remember the old Javanese saying: "No matter how long the alley is, the valley is still deeper." At this time, people can act just like the high official mentioned above who hurt the feelings of the desa people who were dressed in rumpled short pants, torn clothes, and were without shoes. But if times like the revolution days of 1945 to 1950 were to happen again, where would this kind of a leader go? The high officials, or let us say the leaders, must realize that in reality it is the sacrifice and the suffering of the people that make them big. If the above statements were to be discussed as broadly as possible, it is of no wonder that there are many things done by the leaders which are immoral. How could this kind of leader think of his people if he does not even care to come close to them?

The people look upon the leader for their change of condition. But how are the leaders? Many are the qualifications that have been put forward by the people for their leaders. But in practice the doings of the leaders are beyond the expectations of the people. In truth there is a concrete clarity of what has happened in Indonesia -- only companionship existed whereas the community spirit which consisted of positive elements which can be expanded was not to be found. Everywhere you see people with position, brave and ready to go into action for the welfare of the people if by so doing they can make a profit. Corrupt morals which usually tend to suppress, bloom in every person who happens to obtain a good position in the midst of the society and the nation. Under such conditions it is clearly seen that the leader of the lower level imitates the ways of life of the middle and this, in turn, imitates the step of the higher level; the high leaders follow the footsteps of the highest leaders.

Now, let us go back to the problem of development. This includes the mental development. If, before this, many writers wrote something regarding the leaders, the purpose was like that of the government, not acting in a passive way or only suggesting, but rather being active, that is, being able to arrange things besides proving that simplicity in their disposition does exist. Also, as a leader one must show the willingness to work hard and not possess too much divine inspiration. Remember the advice of the late Thomas Edison and Henry Ford as follows: "The creative effort existing in a person consists of 1% divine inspiration and 99% hard work. If it is the reverse, that is, 99% divine inspiration and 1% work, then this is just daydreaming." Therefore, it is so tragic that what is



happening in Indonesia at the present time is too much divine inspiration but not enough work.

In this time of development, the main thing that each citizen must possess in contributing his thoughts and energy is militancy. He must be militant in the use of his time and energy to be creative in accordance with the strength and capabilities that exist in him. Furthermore, if necessary, everyone should contribute himself what he finds in other persons until there is proof that his efforts can clearly be seen, as the broad paddy filled with ripening rice.

But all these depend on a leader, a leader with good morals, because if the morals of the leader go astray this will result in a social breaking off and then the fall of the country. Because of that, the writer clarifies above that the moral problem should not burden the people. It is really exactly as Napoleon says: "There are no bad soldiers; those who exist are only bad officers." This means that the bad and good of the people depend upon the bad and good of the leaders. The old Javanese saying that closely resembles this says, "How could the peanut forsake its shell?"

#### Don't Be Like An Angel Come Down from Heaven

Without withholding anything the writer put forward, the most shocking is the existence of the feeling of satisfaction of certain leaders in being able to give orders and instructions to their subordinates. This is the weakness of our leaders, and one which should not be found in a leader. If Professor, Master of Law, Moh. Yamin, in his speech before the National SOBSI Congress on August 25, 1960 in Surakarta explained that the majority of the plans for development remain a plan in black and white, it is because of the lack of guarantee to carry out the plan and the lack of supervision as well as the evaluation of the above-mentioned development. Therefore, the writer added that the "satisfaction" characteristic that is in the leaders because of being able to give instructions to their subordinates is the main reason why the carrying out of the development project was hindered.

On the other hand, the leader does not want to know the sufferings of the people by really seeing the conditions in the desa and in all parts of the country. The majority of them take all the reports sent to them by their subordinates for granted without remembering that the reports concerning the real situation differ, and also they do not realize that the subordinates, too, want to show that they are good workers with the hope that by giving these reports they will get a promotion, or, if approved, their wished-for appointment as ambassador extraordinary with full authority in a foreign country.

This is the characteristic of the people in general. But the fact that the reports cannot be trusted was proved by the attitude of Depernas which, because of the difference of the amount of population made by the different government organs, was forced to form a committee for the Indonesian census headed by Johannes (read specific publication #135,

Information Department of the Republic of Indonesia, page 14.)

Mao Tse-tung says that a good leader is one who knows his area together with everything in it, including the livelihood needs of its people. For this, Mao Tse-tung states firmly that the only way that must be employed by each leader is to go to the people and also to know what the wealth of the region that must be worked is, until in this way the people really fulfill their duties -- that is, overcoming nature.

The Indonesian nation, especially its leaders, in truth could learn from the simplicity of the communist countries in their efforts to serve the people. But I don't know if this has become the model in Indonesia when a leader looks vague if he doesn't wear something luxurious even though the things he uses is the product of foreign industry, and looks vague if he were to take off his shoes crossing the rivers as they tour in and out of the desa, and furthermore, looks vague if he does not sleep in a first class hotel when on tours of duties to all regions.

Regarding this, it is better if the writer were to cite the teaching of Leo Tolstoy who says: "We must go back to the opinion that the people whom we are going to help and be united with are not like the angels from heaven, but are like brothers whom we are going to help." This means that we must never separate ourselves from the people. The people are suffering and we must see to it that they are freed from their suffering, for the people still do not possess enough intelligence; therefore, we must give them knowledge until their minds are opened. The people are on the verge of developing and so we must lead them towards development which is economic and productive. The people also possess burning initiative and therefore this initiative must be improved so that its realization will be assured. In short, if the leader is always close to the people and the condition of their social economic system is still not in accordance with the call of time, a leader is not going to possess more divine inspiration rather than the will to work hard. And if this is to be so, then it is certain that his position as a leader will be guaranteed as long as the time needs him.

Let this merely serve as an introduction. Next week we shall discuss the principle points regarding P.M.D. toward Indonesian socialism.

## OIL -- A SOURCE OF DEVELOPMENT CAPITAL

[Following is a translation of an article by S. K. Trimurti in Mimbar Umum (General Rostrum), Vol.XIV, No. 47, Djakarta, 19 November 1960.]

The basic pattern of the general development program has already been presented to the MPRS (Madjelis Permusjawaratan Rakjat Sementara -- Provisional National Congress). In just a short time, MPRS will make a decision on the main principles of this program. A very important thing which we should consider at the same time regards the development capital.

Where will that capital come from? Is it still feasible to burden the population with taxation in several forms? This is not considered possible anymore. Moreover, the government itself has already promised to refrain from such measures.

Well, now the question arises, if this is the case, where should we look for this capital? How much is needed? According to the budget of the Depernas (Departemen Perindustrian Dasar dan Pertambangan -- Ministry of Basic Industry and Mining), the expenses would amount to a per annum of 62,000,000,000 rupiahs. The amount we mention here is not absolute because the computations may change as the rate of exchange of the rupiah is not yet stable. We are kind of forced to mention this figure to facilitate a discussion.

These expenses exist for 50% of rupiahs and for 50% of foreign asset values necessary to let machines, tools, and experts come from abroad. Again as an estimate the rupiah expenses will be 31,000,000,000 rupiahs per annum and the dollar expenses will be the same. If we value one dollar at 45 rupiahs, those expenses will amount to about 690,000,000 expressed in dollars (even amount). It is clear that during the first stages of development the expenses needed for one year will not be the same; it must be remembered that during the first years the expenses will be greater than in the last years. It is better, however, that we disregard this matter right now.

It is impossible to derive such a big sum from the present national income. The reason is that the reservation of such capital for development would mean a decrease in the purchasing power of the population for consumer goods, and according to normal standards, it is evident that this purchasing power is already too small. It is therefore necessary that other sources be tapped.

For instance, the whole national income over 1960 is estimated to be 206,000,000,000 rupiahs. An amount of 62,000,000 or 30% of the national

income would really be a great deal too much.

We must therefore try something else and one alternative is to intensify and extend the extraction of wealth from Indonesia's soil which has in it the possibility of a production increase of several times.

In this respect oil is such a source of wealth from the earth of Indonesia which, when worked at and cultivated to its fullest extent, may deliver a very nice contribution to the capital required for the general development.

### What is the Production of Oil in Indonesia?

Those who know say that only 10% of the territory that could contain oil is under exploitation. This means that 90% of prospective territory may yet yield oil.

Production of raw oil in Indonesia according to figures from Statistical Pocketbook of Indonesia of 1959, page 89 (in thousands of kg.):

<u>Year</u>	<u>Production of the Country</u>	<u>Imported</u>	<u>Total</u>
1938	.....	.....	7,424,555
1951	.....	.....	8,649,968
1952	.....	.....	9,690,833
1953	7,937,418	2,404,092	10,341,510
1954	8,407,503	2,164,768	10,572,271
1955	8,419,806	2,626,337	11,046,143
1956	8,108,130	2,917,263	11,025,401
1957	8,046,933	3,668,691	11,715,624
1958	8,327,766	2,619,484	10,947,250

(provisional figure)

The comparative production figures of raw oil of the world, Asia, and Indonesia are according to the United Nation's Annual Statistical Book as copied by the Oil Bureau, as follows (in thousands of kg. ton)

<u>Year</u>	<u>World Production</u>	<u>Production of Asia</u>		<u>Production of Indonesia</u>	
1937	279,500	15,067	5.4%	7,262	2.5%
1940	292,100	23,653	8.1%	7,939	2.7%
1945	351,400	26,737	7.6%	976	0.3%
1950	522,900	97,426	18.5%	6,414	1.2%
1956	839,800	191,152	23.0%	12,730	1.5%

The increase of the world oil production from 1937 to 1956 was 200%.

The increase of Asia's oil production from 1937 to 1956 was 180%.

The increase of Indonesia's oil production from 1937 to 1956 was 75%.

Indonesia's share of the world oil production: 1937 - 2.5%; 1956 - 1.5%.

Indonesia's share of Asia's oil production 1937 - 48%; 1956 - 6.7%.

These figures indicate that from the years before the war until now, oil production has increased. But the increase was cancelled out by an increase in population, which all by itself increased the consumption of oil. For Indonesia alone, the increase in oil consumption according

to the report of the Bank of Indonesia is 630% between 1938 and 1957. A matter, on the other hand, that does not make us happy is that Indonesia's share in the world supply has steadily decreased after the war. Formerly, a figure of 3% could be reached. Although the industry has been activated it does not exceed the figure of 1.8% at present.

This shows a decline. There are certainly reasons for this. There are problems connected with the internal conditions of the country and there are also international problems. Within the country we had turbulence which lasted from 1945 until the revolution of the P.R.R.I. [abbreviation unknown] and international problems are the discovery of new sources of oil in the Sahara and Libya which have become new competitors in the world market. The market for Indonesian oil is especially in the Far East. This market is now being squeezed and infiltrated by oil from the Middle East because the oil which usually serves Europe is now hard-pressed by the production of new sources in the Sahara and Libya. Although new sources have been found, the requirements of the oil consumption of the world cannot yet be satisfied by the present production. The possibility of conquering the world market is therefore still there. According to the January 1960 report of World Petroleum, the daily oil production in 1959 was 19,300,880.00 barrels, whereas the daily need for oil during that year amounted to 20,555,000.00 barrels.

#### Oil Production Has to Be Increased Several Times

It is urgently necessary for the production of oil to be increased several times, and this cannot be postponed. It appears that the world's oil production is insufficient to cover the demands for oil. To cover this shortage, people are now searching for sources of energy, fuel, raw materials for war, etc. For instance, we already have electricity, sun energy, and atomic power. When it appears that these new discoveries will be cheaper to produce, the desire to use oil will not be so great anymore. At a certain moment, oil sources may be exhausted. And now, while people still cannot do without the use of oil, we must develop our oil resources the best we can, in the first place, to fulfill the world demand and, in the second place, to make as much use as possible of this raw material before the world starts to use something else.

We are not astonished that the world is now actively looking for new oil sources. Experience teaches us that where oil is found the chess game of world politics is always hottest. Those places always have the full attention of the great powers who want to bring them under their control.

In the interest of development an increase in oil production and its derivatives becomes even more important. In Indonesia industrialization is very important to avoid a top-heavy agrarian economy as it is at the present. Indonesia depends heavily on the proceeds of its agrarian export products and it must import all the time to satisfy its daily needs. This is the reason why its economy will always be swayed by the ebb and flow of the world market.

In our development efforts, the part of oil as a producer of foreign assets is very important. Although rubber is our first export product, oil is more important because the price of rubber is very subject to fluctuations and is extremely influenced by the world market price, whereas the price of oil is more stable and the foreign assets obtained through the oil production will be more important. According to the figures of the Central Bureau of Statistics, the export value of oil in comparison with other export articles is as follows (in millions of rupiahs inclusive of export taxes):

	1938	1955	1956	1957	1958
Rubber	158	4,888	4,028	3,677	2,978
Oil and Its Derivatives	163	2,460	2,560	3,983	3,219
Tin (Lead and Ore)	34	683	726	619	431
Others (Copra, Coffee, Tea, sugar, etc.)	332	2,748	2,741	2,763	1,984
Total	687	10,779	10,055	11,052	8,612

#### The Possibility of Obtaining Capital by Way of Oil Production

Well-informed sources have sometimes described how the oil industry could increase its production and the export of oil with a capital of 1,500 million dollars for the purchase of material for development and the expense of letting expert labor come from abroad. From this amount, 50% will be needed in rupiahs for expenses inside the country, i.e. 750 million dollars. This money should be exchanged with rupiahs according to the current rate of exchange.

It would be better if we did not pursue these computations because the figures may change any moment as long as the value of the rupiah is not yet stable. It is, however, evident that an increase in the production of oil may be expected; it will increase the development capital as far as rupiahs as well as foreign assets are concerned.

#### Policy of Trying Out Methods of a Swift Increase in the Production of Oil

In the Dutch East Indies the production of oil was entrusted to oil companies which received guarantees from the colonial government. We find this reflected in Indische Mijnwet (Netherlands Mining Law) Statute Books 1899, No. 214, in connection with Statute books 1906, No. 434. The oil industry has already existed in Indonesia for 70 years. These industries received concession rights with long terms. Until Indonesia became independent these industries, e. g. Shell, Stanvac, Caltex, continued to operate as before. The agreements between the oil companies and the old government, called "laissez-faire agreements," were still in force. This agreement declared that these oil companies did not have to surrender foreign assets obtained through sale of oil to LAAPLN (Lembaga Alatalat Pembajakan Luar Negeri - Institute in Control of Purchases in Foreign Countries). On the other hand, these industries were not allowed to obtain foreign assets from LAAPLN to import capital goods, raw materials,



subsidiary materials, etc., which they had to use in Indonesia. In this manner the government itself could not control all its foreign assets. These industries needed rupiahs for their needs inside the country. When the results of their oil sales within the country were insufficient to cover their expenses in the country, the industries had to sell foreign assets to the Bureau of Foreign Assets. Sometimes their expenses exceeded their receipts of foreign assets. In this manner the government could still use foreign assets originating from the sale of oil in accordance with the earlier mentioned "laissez-faire agreements."

This unsatisfactory condition was, however, soon realized by the government. Very gradually it tried to establish its own oil industries, or industries of mixed legal status. An example of an industry owned by the country is PERMINA (Perusahaan Minyak Nasional - National Oil Industry). An example of an industry of mixed legal status is PERMINDO (Perusahaan Minyak Indonesia (Indonesian Oil Industry)), with 50% of its capital supplied by the country and 50% by the B.P.M. (Bataafse Petroleum Maatschappij). This cooperation will be terminated on 31 December 1960.

According to broad principles there are three kinds of oil industries:

- a. Privately-owned foreign industries;
- b. Industries of mixed status;
- c. Industries owned by the country.

If the number of industries, their methods, and powers remain as they are, the oil production will also remain the same and when it increases it will not amount to much. The government, however, wants to make it possible for this production to increase several times in a short period. To achieve this, extra capital with all its trimming is required. Where will we get it? It is clearly impossible to take it from the people. There is no opportunity for that. From where then? Four possibilities can be tried out:

- a. Foreign capital can be allowed (invited) to make direct investments here;
- b. Increase the number of joint industries (joint production and joint venture);
- c. Invite contracts from foreign industries or, if possible, national private industries (production share);
- d. Borrow abroad and set up our own industry.

Of these four methods which is the most reasonable to follow? Before we decide we had better return first to the constitution which we will follow here now. Regarding economic policies, the government adheres steadfastly to the contents of the Constitution of 1945, Article 33, and especially in this respect to paragraphs two and three which read:

(2) Branches of industry that are important to the country and that have great influence over the daily needs of the people must be controlled by the government.

(3) The earth and the sky and the treasures they contain must be controlled by the government and used in the best interests of the people.

It is therefore out of order when treasures in the earth with great



influence over the daily needs of the people are not dominated by the government, but by privately-owned foreign organizations. In that event, the country will, of course, be forced to take other steps to insure that it dominates the wealth of the earth and the contents of the soil important to the society as soon as possible. Dominate does not mean own. The owners of all that remain the people of Indonesia. The people who empower the country and the government to take control lest it be used for the prosperity of only a few instead of all.

In this connection, let us inspect the possibilities open to us one by one.

a. Direct investment. This has become unacceptable for most of the people of Indonesia. Experience teaches that these direct investments are the cause of many disagreements, especially if a political difference of opinion exists between the government and a foreign country or citizens of a foreign country who have invested capital in Indonesia. Subversive actions can very easily sneak in by way of these enterprises. Steady staff, and the many profits already made, plus complete installation and abundant capital, will enable them to try everything to maintain the right to invest capital, and if their desires are not met by the government they will sabotage the smooth functioning of our government by indirect and direct means.

b. Joint enterprises. They are, of course, more progressive than direct investments. Joint enterprise requires from our government that it make capital available (e.g. for shares). At least 50% of the shares must be bought by the government. The difficulty here is, has the government enough money to buy those shares? The vote in the management is decided by the amount of capital contributed. In joint enterprises, in theory, management is shared. From top to bottom we have joint management. In reality, however, those who lack skill, technical knowledge, tools, experience, and leadership are just being led around. This means that there are, of course, a lot of important people with impressive titles who, because they do not know anything, often only place their signatures under decisions. Under such conditions the weaker party is often deceived. Finally, these joint industries carry a joint risk. When the industry suffers a loss, both parties suffer a loss. On the other hand, when a profit is made, both receive a profit.

c. Establish contracts. The power over the natural resources remains firmly in the hands of the government. This system is now an urgent subject of consideration by politicians, especially the members of the representative bodies and the party leaders. This method is also usually referred to as "production share," and also as the Argentine contract system. Some politicians say that this system is just another way of foreign capital investment. Without taking into consideration the advantages and disadvantages, let us explain some points of the contracts a la Argentina.

1. The country as representative of the people controls the natural resources in the earth.
2. The country empowers a government industry to explore and develop

these resources.

3. If the official industry deems it necessary it can enter into contracts with several industries to explore and develop those natural resources.

4. The contracts are valid for a definite period of time and depend upon the situation in the territories which are involved.

5. As long as the contract runs all risks (profit, loss, failure) and expenses of exploration, development and transport are for account of the contractor.

6. As a compensation for services, the contractor gets a certain percentage of the production results.

The contractor shall also supply capital immediately after the agreement takes effect, and after the contractor starts to produce. In the case of Indonesia, this capital will enter the country through the Bank Pembangunan Semesta (Bank of General Development).

Because the enterprise of the contractor will also need workers and capital goods from the country itself, it will automatically need a rupiah capital. In this manner they will exchange their assets for our rupiahs which will be useful for purchases from abroad of material for other development purposes.

When we really study this matter, we find that the system of these contracts actually belongs to credit relationships. Before this credit has been repaid, however, the government allows the enterprise, by way of the official industry, to act as contractor concerning the development of our natural resources. After the deadline, everything will again be controlled and owned by ourselves.

The difference between this contract system and ordinary credit is that we do not assume any risks and that we do not have to pay interest while the contract is in force. Also, in accordance with the agreement, provisions have been made to train executives who will eventually take over and there are also preparations to control foreign markets with all that is necessary to find accommodation for our production. Enough for now on this subject.

d. Borrow from abroad and do things ourselves sounds very nice, of course. We will then own the whole production and in this manner we are going to make bigger profits. But to run an oil business on a large scale requires experience, experts, and workers who know their business. When these conditions are not met adequately, the danger of mismanagement will cause great losses. Of course, self-management must be planned as soon as possible by instruction of executives and serious training. But to start now on a big scale with the available workers and incomplete equipment is very dangerous.

The hazards involved with all these enterprises would, moreover, be carried by the government. With a view to the quality of our workers, the hazards involved will become even greater. Take for instance, the exploring alone. The expenses needed for this are certainly not small. If later the prospective sources do not yield oil, what will be our losses? Moreover, the funds used for this are borrowed money which must be paid,

increased by interest. Payment by installments must be considered. It is an absolute condition. The interest that has to be paid is a burden on the shoulders of the population.

We have not yet figured out how big the old debts of the government are and how much already has been paid off, and also the amount of interest with which we are burdened on account of those debts. Do not think that these loans are without political features. The party extending the loan can directly or indirectly force his will on the borrower. So much the more when a loan cannot be paid.

Since the President has declared in his Political Manifesto: "When we must look for foreign capital, credit by way of direct investment will be given preference," this method can be undertaken. First of all, however, direct investment will be abandoned and in the second place, obtaining such credit is feasible. However, we hope by choosing various credits in accordance with the prevailing situation, the system of "production share" can indeed be given consideration as credit relationship in a somewhat different form. Production share -- but not the form of direct investment like the investment practices protected by colonial laws.

This is our description of the possibilities we can follow. Let us now touch upon the following. The basic contents of Government Decision 44 of 1960, which takes the place of prior laws, regarding "mining of oil and natural gas," are as follows: "Oil and natural gas in our territory are exclusively under the control of the country and will also be developed by the country. Development will be undertaken by official, state-owned enterprises. As far as oil mining is concerned, the industry will be called Industry of Mining. This covers the activities of exploring, developing, refining, preparing, transporting, and selling.

"If the official enterprises are unable or as yet unable to develop themselves because they lack capital, skill, experience, and because they do not yet control a market, etc., they may instruct others, with all the characteristics of a contractor, to undertake development. These contractors will be designated by the minister who is involved.

"When a contract is made, there will automatically be a work agreement between the official enterprise and the contractor. This work agreement must adhere to the principles and instructions emanating from the minister and it becomes valid when it has been ratified by law.

"This contractor is not entitled to the results of the industry. The production becomes the firm property of the Republic of Indonesia. As is usually the case, every person who performs work for somebody else is certainly entitled to receive wages or a share of the production as compensation for his pains and trouble. This is also the case with the contractor who will receive a share of the production in accordance with the terms of the contract."

The government decision consists of ten chapters, each of several articles divided into paragraphs. The chapters are on the following subjects, for instance: general decisions, mining authority, relationship of mining authority and rights to the soil, contributions to be paid to the country, supervision, penalties, transit decisions and closing decisions.

In the Transit Decisions there is mentioned, for instance, oil and natural gas industries not being official enterprises of the country which came into existence under the arrangements prior to the moment that the government decision replacing this act became official, can continue to operate for an intermediate period which shall be as short as possible.

This intermediate period will be decided by Executive Order. The holders of the above-mentioned mining rights will be given preference when contractors shall be considered. We mention Shell (B.P.M.), Stanvac, and Caltex. Possible new requests from foreign countries will only be considered in the second place.

This government decision is short and has only 24 articles. Therefore, it contains only the important principles, whereas the important details will be taken care of at a later occasion. Another important decision will, for instance, be the contents of the future work agreements.

We do not have to be afraid that disadvantageous decisions will appear in these work agreements because of the conditions which must implement the contract. Such a contract becomes valid only after it has been ratified. This means that the National Parliament of Mutual Assistance will have a finger in the pie and will certainly see to it that the interests of Indonesia are not harmed.

At the moment, the members of the Parliament of Mutual Assistance are in session as the provisional Parliament. When this has finished its work, it is very possible that this matter will be taken care of.

Such is Government Decision 44 of 1960.

What ever may be the case, however, the digging up and processing of Indonesia's own natural resources must be converted into capital for the future general development. In this respect, oil represents a source of capital.

Our article is only in the manner of considerations and suggestions especially for those people who are qualified to discuss the organizations of the government.